

No. 15845

**NEW ZEALAND
and
MALAYSIA**

Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (with protocol). Signed at Kuala Lumpur on 19 March 1976

Authentic text: English.

Registered by New Zealand on 8 August 1977.

**NOUVELLE-ZÉLANDE
et
MALAISIE**

Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu (avec protocole). Signé à Kuala Lumpur le 19 mars 1976

Texte authentique : anglais.

Enregistrée par la Nouvelle-Zélande le 8 août 1977.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF NEW ZEALAND
AND THE GOVERNMENT OF MALAYSIA FOR THE AVOIDANCE
OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVA-
SION WITH RESPECT TO TAXES ON INCOME

The Government of New Zealand and the Government of Malaysia,
Desiring to conclude an agreement for the avoidance of double taxation and the
prevention of fiscal evasion with respect to taxes on income,
Have agreed as follows:

Article 1. TAXES COVERED

- (1) The taxes which are the subject of this Agreement are:
- (a) in Malaysia:
- (i) the income tax and excess profit tax;
 - (ii) the supplementary income tax, that is, tin profits tax, development tax and timber profits tax; and
 - (iii) the petroleum income tax;
- (b) in New Zealand: the income tax and the excess retention tax.
- (2) This Agreement shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Agreement in addition to, or in place of, the existing taxes by either Contracting State or which are imposed by the Government of any Territory to which this Agreement is extended under article 23.
- (3) For the purposes of paragraph (1) (b) of this article, the income tax does not include the bonus issue tax.

Article 2. GENERAL DEFINITIONS

- (1) In this Agreement, unless the context otherwise requires:
- (a) The term “Malaysia” means the Federation of Malaysia and includes any area adjacent to the territorial waters of Malaysia which in accordance with international law has been or may hereafter be designated, under the laws of Malaysia concerning the Continental Shelf, as an area within which the rights of Malaysia with respect to the seabed and subsoil and their natural resources may be exercised;
- (b) The term “New Zealand” includes the continental shelf of New Zealand as defined under the law of New Zealand concerning the continental shelf; it does not include the Cook Islands, Niue or the Tokelau Islands;
- (c) The terms “a Contracting State” and “the other Contracting State” mean Malaysia or New Zealand, as the context requires;
- (d) The term “person” includes an individual, a company and such unincorporated bodies of persons as are treated as persons under the laws of the respective Contracting States relating to the taxes to which this Agreement applies by virtue of article 1;
- (e) The term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;

¹ Came into force on 2 September 1976, i.e., on the date when the last of all such things had been done as was necessary, in Malaysia and New Zealand respectively, to give it the force of law, in accordance with article 24 (1).

(f) The term “Malaysian tax” means tax imposed by Malaysia being tax to which this Agreement applies by virtue of article 1; the term “New Zealand tax” means tax imposed by New Zealand being tax to which this Agreement applies by virtue of article 1;

(g) The term “tax” means Malaysian tax or New Zealand tax, as the context requires;

(h) The terms “Malaysian enterprise” and “New Zealand enterprise” mean respectively an enterprise carried on by a Malaysian resident and an enterprise carried on by a New Zealand resident;

(i) The term “competent authority” means, in the case of Malaysia, the Minister of Finance or his authorised representative, and, in the case of New Zealand, the Commissioner of Inland Revenue or his authorised representative;

(j) The term “natural resource royalties” means payments of any kind to the extent to which they are made as consideration for the operation of, or the right to operate, any mine or quarry, or as consideration for the extraction, removal or other exploitation of, or the right to extract, remove or otherwise exploit, standing timber or any natural resource;

(k) The term “industrial or commercial profits” means income or profits derived by an enterprise of a Contracting State from the carrying on of a business, but does not include:

- (i) dividends, interest, royalties (as defined in paragraph (3) of article 10), or natural resource royalties; or
- (ii) income or profits from the sale or other disposition of land situated in the other Contracting State or of any estate or interest in land so situated, or from the sale or other disposition of any share or comparable interest in a company or association whose assets consist wholly or principally of any such land or any such estate or interest; or
- (iii) income or profits from the grant or renewal, or from the sale or other disposition, of any right relating to the operation of any mine or quarry situated in the other Contracting State or to the extraction, removal or other exploitation of any standing timber or of any natural resource so situated, or from the sale or other disposition of any share or comparable interest in a company or association whose assets consist wholly or principally of any such right; in this sub-paragraph (k) (iii), the term “right” means any right, licence, permit, authority, title, option, privilege or other concession and includes a share or interest in any right, licence, permit, authority, title, option, privilege or other concession; or
- (iv) rent; or
- (v) charges for the bailment of livestock; or
- (vi) income or profits from operating ships or aircraft; or
- (vii) remuneration or other income for personal (including professional) services;

(l) The terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean a Malaysian enterprise or a New Zealand enterprise, as the context requires;

(m) Words in the singular include the plural and words in the plural include the singular.

(2) In determining, for the purposes of article 8, 9 or 10, whether dividends, interest or royalties are beneficially owned by a resident of a Contracting State, dividends, interest or royalties in respect of which a trustee is subject to tax in that Contracting State shall be treated as being beneficially owned by that trustee.

(3) Every reference in articles 8 and 19 to a dividend paid by a company which is resident in Malaysia for the purposes of Malaysian tax:

- (a) shall be deemed to include a reference to a dividend paid by a company which is resident in Singapore for the purposes of Singapore tax and which has, in relation to that dividend, declared itself to be a resident of Malaysia for the purposes of article VII of the Agreement between the Government of Malaysia and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed in Singapore on 26 December 1968; and
- (b) shall be deemed not to include a reference to a dividend paid by a company which is resident in Malaysia for the purposes of Malaysian tax but which has, in relation to that dividend, declared itself to be a resident of Singapore for the purposes of the said article VII.

(4) In this Agreement, the terms “Malaysian tax” and “New Zealand tax” do not include any amount which represents a penalty or interest imposed under the law of either Contracting State relating to the taxes to which this Agreement applies by virtue of article 1.

(5) In the application of the provisions of this Agreement by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes to which this Agreement applies by virtue of article 1.

Article 3. FISCAL DOMICILE

(1) For the purposes of this Agreement:

(a) The term “New Zealand resident” means a person who is resident in New Zealand for the purposes of New Zealand tax;

(b) The term “Malaysian resident” means a person who is resident in Malaysia for the purposes of Malaysian tax.

(2) Where by reason of the provisions of paragraph (1) of this article an individual is both a New Zealand resident and a Malaysian resident then his status shall, for the purposes of this Agreement, be determined as follows:

- (a) he shall be treated solely as a New Zealand resident if he has a permanent home available to him in New Zealand and does not have a permanent home available to him in Malaysia and solely as a Malaysian resident if he has a permanent home available to him in Malaysia and does not have a permanent home available to him in New Zealand; and
- (b) failing a resolution of the matter under sub-paragraph (a) of this paragraph, he shall be treated solely as a New Zealand resident if he has an habitual abode in New Zealand and does not have an habitual abode in Malaysia and solely as a Malaysian resident if he has an habitual abode in Malaysia and does not have an habitual abode in New Zealand; and
- (c) failing a resolution of the matter under sub-paragraphs (a) and (b) of this paragraph, he shall be treated solely as a New Zealand resident if the Contracting State with which his personal and economic relations are the closer is New Zealand and solely as a Malaysian resident if the Contracting State with which his personal and economic relations are the closer is Malaysia.

(3) Where, by reason of the provisions of paragraph (1) of this article, a person other than an individual is both a New Zealand resident and a Malaysian resident it shall, for the purposes of this Agreement, be treated solely as a New Zealand resident if the

centre of its administrative or practical management is situated in New Zealand and solely as a Malaysian resident if the centre of its administrative or practical management is situated in Malaysia whether or not any person outside New Zealand or Malaysia, as the case may be, exercises or is capable of exercising any overriding control of it or of its policy or affairs in any way whatsoever.

(4) For the purposes of this Agreement the terms "resident of a Contracting State" and "resident of the other Contracting State" mean a person who is a New Zealand resident or a person who is a Malaysian resident, as the context requires.

Article 4. PERMANENT ESTABLISHMENT

(1) For the purposes of this Agreement the term "permanent establishment", in relation to an enterprise, means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(2) The term "permanent establishment" includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a mine, quarry, oil well, gas well or other place of extraction of natural resources;
- (g) a farm or plantation, or an agricultural, pastoral or forestry property; and
- (h) a building site or a construction, installation or assembly project which exists for more than six months.

(3) The term "permanent establishment" shall not be deemed to include:

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise; or
- (d) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(4) An enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State and to carry on business through that permanent establishment if:

- (a) it carries on supervisory activities in that other Contracting State for more than six months in connection with a building site, or a construction, installation or assembly project which is being undertaken, in that other Contracting State; or
- (b) substantial equipment is in that other Contracting State being used or installed by, for or under contract with the enterprise.

(5) A person acting in a Contracting State on behalf of an enterprise of the other Contracting State (other than an agent of independent status to whom paragraph (6) of this article applies) shall be deemed to be a permanent establishment of that enterprise in the first-mentioned Contracting State if:

- (a) he has, and habitually exercises in that first-mentioned Contracting State, any authority to conclude contracts on behalf of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise;

- (b) there is maintained in that first-mentioned Contracting State a stock of goods or merchandise belonging to the enterprise from which he habitually fills orders on behalf of the enterprise; or
- (c) in so acting he carries out in that first-mentioned Contracting State activities of any of the kinds referred to in subparagraph (a) (i) or subparagraph (a) (ii) or subparagraph (a) (iii) of paragraph (8) of this article.

(6) An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other Contracting State through a broker, a general commission agent or any other agent of independent status, where such a person is acting in the ordinary course of his business as a broker, a general commission agent or other agent of independent status.

(7) The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute a place of business of either company a permanent establishment of the other.

(8) In any case where paragraph (5) of this article does not apply, an enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State and to carry on business through that permanent establishment if:

- (a) for, or at or to the order of, that enterprise, another enterprise:
 - (i) manufactures, assembles, processes, packs or distributes in that other Contracting State any goods or merchandise; or
 - (ii) performs, in that other Contracting State, any mining or quarrying operations or any operations carried on in association with mining or quarrying operations, or performs, in that other Contracting State, any operations for the extraction, removal or other exploitation of standing timber or of any natural resource; or
 - (iii) breeds, manages, agists or raises in that other Contracting State any livestock; and
- (b) either enterprise participates directly or indirectly in the management, control or capital of the other enterprise, or the same persons participate directly or indirectly in the management, control or capital of both enterprises.

Article 5. INDUSTRIAL OR COMMERCIAL PROFITS

(1) Industrial or commercial profits of an enterprise of a Contracting State shall be subject to tax only in that Contracting State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, tax may be imposed by that other Contracting State on the whole of the industrial or commercial profits of the enterprise from sources within that other Contracting State whether or not those profits are attributable to that permanent establishment.

(2) Where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to make if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall be deemed to be income derived from sources in that other Contracting State and shall be taxed accordingly.

(3) In determining the industrial or commercial profits attributable to a permanent establishment in a Contracting State, there shall be allowed as deductions all expenses of the enterprise, including executive and general administrative expenses, which would be deductible if the permanent establishment were an independent enterprise and which are reasonably connected with the permanent establishment, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) If the information available to the competent authority of the Contracting State concerned is inadequate to determine the industrial or commercial profits to be attributed to the permanent establishment, nothing in this article shall affect the application of the law of that Contracting State in relation to the liability of the enterprise to pay tax in respect of the permanent establishment on an amount determined by the exercise of a discretion or the making of an estimate by the competent authority of that Contracting State. Provided that the discretion shall be exercised or the estimate shall be made, so far as the information available to the competent authority permits, in accordance with the principle stated in this article.

(5) Industrial or commercial profits shall not be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(6) Nothing in this article shall apply to either Contracting State to prevent the operation in the Contracting State of any provisions of its law at any time in force relating to the taxation of any income from the business of any form of insurance.

Article 6. ASSOCIATED ENTERPRISES

(1) Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and of an enterprise of the other Contracting State,

and in either case conditions are operative between the two enterprises in their commercial or financial relations which differ from those which might be expected to operate between independent enterprises dealing at arm's length, then any profits which, but for those conditions, might have been expected to accrue to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise.

(2) Profits included in the profits of an enterprise of a Contracting State under paragraph (1) of this article shall be deemed to be income of that enterprise derived from sources in that Contracting State and shall be taxed accordingly.

(3) If the information available to the competent authority of a Contracting State is inadequate to determine, for the purposes of paragraph (1) of this article, the profits which might have been expected to accrue to an enterprise, nothing in this article shall affect the application of any law of that Contracting State in relation to the liability of that enterprise to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the competent authority of that Contracting State. Provided that the discretion shall be exercised or the estimate shall be made, so far as the information available to the competent authority permits, in accordance with the principle stated in this article.

Article 7. SHIPPING AND AIR TRANSPORT

(1) A resident of a Contracting State shall, subject to paragraph (4) of this article, be exempt from tax in the other Contracting State on income or profits from the operation

of ships or aircraft other than operations confined solely to places in that other Contracting State.

(2) The exemption provided in paragraph (1) of this article shall apply in relation to the share of the income or profits from the operation of ships or aircraft derived by a resident of a Contracting State through participation in a pool service, in a joint transport operating organisation or in an international operating agency but only to the extent to which the share of the income or profits is not attributable to income or profits from voyages, flights or operations confined solely to places in the other Contracting State.

(3) For the purposes of this article and article 19, income or profits derived from the carriage of passengers, livestock, mails, goods or merchandise shipped in a Contracting State for discharge at another place in that Contracting State shall be treated as income or profits from the operation of a ship or aircraft confined solely to places in that Contracting State.

(4) Nothing in this article shall affect the application of:

- (a) the principles stated in paragraph (2) of article 5 or of the provisions of paragraph (3) of that article in relation to the calculation of the amount of, and the source of, the industrial or commercial profits which are to be attributed to a permanent establishment which an enterprise of a Contracting State has in the other Contracting State; or
- (b) the law of a Contracting State in relation to the liability of an enterprise of the other Contracting State to pay tax, in respect of any business (excluding a business to the extent to which it comprises the operation of ships or aircraft other than operations confined solely to places in the Contracting State first-mentioned in this sub-paragraph on an amount determined by the exercise of a discretion or the making of an estimate by the competent authority of that first-mentioned Contracting State; or
- (c) the provisions of article 6.

Article 8. DIVIDENDS

(1) The New Zealand tax on dividends, being dividends paid by a company which is resident in New Zealand for the purposes of New Zealand tax, derived and beneficially owned by a Malaysian resident, shall not exceed 15 per centum of the gross amount of the dividends.

(2) Subject to the provisions of this article, dividends paid by a company which is resident in Malaysia for the purposes of Malaysian tax, being dividends derived and beneficially owned by a New Zealand resident, shall be exempt from any tax in Malaysia which may be chargeable on dividends in addition to the tax chargeable in respect of the income of the company.

(3) Nothing in the preceding paragraph shall affect the provisions of the Malaysian law under which the tax in respect of a dividend paid by a company which is resident in Malaysia for the purposes of Malaysian tax from which Malaysian tax has been, or has been deemed to be, deducted may be adjusted by reference to the rate of tax appropriate to the Malaysian year of assessment immediately following that in which the dividend was paid.

(4) If after the date of signature of this Agreement the system of taxation in Malaysia applicable to the income and distributions of companies is altered by the introduction of a tax on the income or profits of a company (for which no credit is given to its shareholders) and of a further tax on dividends paid by the company, the Malaysian tax on dividends, being dividends paid by a company which is resident in Malaysia for the purposes of Malaysian tax, derived and beneficially owned by a New Zealand resident, shall not exceed 15 per centum of the gross amount of the dividends.

(5) If the beneficial owner of the dividends, being a resident of a Contracting State, has in the other Contracting State a permanent establishment and the holding giving rise to the dividends is effectively connected with that permanent establishment the limitations of tax referred to in paragraphs (1) and (4) of this article shall not apply.

(6) Dividends paid by a company which is a resident of a Contracting State, being dividends which are derived and beneficially owned by a person who is not a resident of the other Contracting State, shall be exempt from tax in that other Contracting State. Provided that this paragraph shall not apply in relation to dividends paid by any company which is resident in Malaysia for the purposes of Malaysian tax and which is also resident in New Zealand for the purposes of New Zealand tax.

(7) Nothing in the foregoing paragraphs of this article shall affect the taxation of the company in respect of the profits out of which the dividends are paid.

Article 9. INTEREST

(1) Subject to paragraph (2) of this article, the tax of a Contracting State on interest derived from sources in that Contracting State and beneficially owned by a resident of the other Contracting State shall not exceed 15 per centum of the gross amount of the interest.

(2) Interest derived from sources in Malaysia and beneficially owned by a New Zealand resident shall be exempt from Malaysian tax if the loan or other indebtedness in respect of which the interest is paid is an approved loan as defined in section 2(1) of the Income Tax Act, 1967, of Malaysia (as amended by Act A98 of 1972).

(3) If the person who is the beneficial owner of the interest, being a resident of a Contracting State, has in the other Contracting State a permanent establishment and the indebtedness giving rise to the interest is effectively connected with that permanent establishment the limitation of tax referred to in paragraph (1) of this article shall not apply.

(4) The limitation of tax referred to in paragraph (1) of this article shall not apply where the person paying the interest and the person who is the beneficial owner of the interest are associated with each other. For the purposes of this paragraph a person is associated with another person if either person controls directly or indirectly the other or if any third person controls directly or indirectly both. For this purpose, the term "control" includes any kind of control, whether or not legally enforceable, and however exercised or exercisable.

(5) Where the application of the limitation of tax referred to in paragraph (1) of this article to any interest is not excluded by virtue of the foregoing provisions of this article but owing to a special relationship between the person paying the interest and the person who is the beneficial owner of the interest, or between both of them and some other person, the amount of the interest paid exceeds the amount which might have been expected to have been agreed upon in the absence of such relationship, the limitation of tax referred to in paragraph (1) of this article shall apply only to the last-mentioned amount.

Article 10. ROYALTIES

(1) Subject to paragraph (2) of this article, the tax of a Contracting State on royalties derived from sources in that Contracting State and beneficially owned by a resident of the other Contracting State shall not exceed 15 per centum of the gross amount of the royalties.

(2) Approved industrial royalties derived from sources in Malaysia and beneficially owned by a New Zealand resident shall be exempt from Malaysian tax.

(3) In this article, the term “royalties” means payments of any kind to the extent to which they are made as consideration for:

- (a) the use of or the right to use any:
 - (i) copyright, patent, design or model, plan, secret formula or process, trade mark or other like property or right; or
 - (ii) industrial, commercial or scientific equipment; or
 - (iii) motion picture films; or
 - (iv) films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting; or
- (b) the supply of:
 - (i) scientific, technical, industrial or commercial knowledge or information; or
 - (ii) any assistance which is given as a means of enabling the application or enjoyment of such knowledge or information; or
- (c) the management, control or supervision by a resident of a Contracting State of a business or other activity carried on in the other Contracting State by another enterprise or concern;

but does not include natural resource royalties.

(4) In this article, the term “approved industrial royalties” means royalties as defined in paragraph (3) of this article which are approved and certified by the competent authority of Malaysia as payable for the purpose of promoting industrial development in Malaysia and which are payable by an enterprise which is wholly or mainly engaged in activities falling within one of the following classes:

- (a) manufacturing, assembling or processing; or
- (b) construction, civil engineering or shipbuilding; or
- (c) electricity, hydraulic power, gas or water supply.

(5) If the person who is the beneficial owner of the royalties, being a resident of a Contracting State, has in the other Contracting State a permanent establishment and the knowledge, information, assistance, right or property giving rise to the royalties is effectively connected with that permanent establishment, the limitation of tax referred to in paragraph (1) of this article shall not apply.

(6) Where, owing to a special relationship between the person paying the royalties and the person who is the beneficial owner of the royalties, or between both of them and some other person, the amount of the royalties paid exceeds the amount which might have been expected to have been agreed upon in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount.

Article 11. PERSONAL SERVICES

(1) Subject to articles 14, 15 and 16, remuneration (other than pensions) derived by an individual who is a resident of a Contracting State in respect of personal (including professional) services may be taxed only in that Contracting State unless the services are performed in the other Contracting State. If the services are so performed, such remuneration as is derived in respect thereof shall be deemed to have a source in, and may be taxed in, that other Contracting State.

(2) Notwithstanding paragraph (1) of this article, remuneration (other than pensions) derived by a resident of a Contracting State in respect of personal (including professional) services performed in the other Contracting State shall be exempt from tax in that other Contracting State if:

- (a) the recipient is present in that other Contracting State for a period or periods not

- exceeding in the aggregate 183 days in the income year or the basis period for the year of assessment, as the case may be, of that other Contracting State; and
- (b) any period for which the recipient is present within that other Contracting State does not form part of a continuous period of more than 183 days throughout which he is present within that other Contracting State; and
 - (c) the remuneration is paid by or on behalf of a person who is a resident of the first-mentioned Contracting State; and
 - (d) the remuneration is not borne by a permanent establishment which that person has in that other Contracting State.

(3) Notwithstanding paragraphs (1) and (2) of this article, remuneration in respect of employment exercised aboard a ship or aircraft operated in international traffic by a resident of a Contracting State may be taxed in that Contracting State.

Article 12. DIRECTORS' FEES

Notwithstanding anything contained in article 11, directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State shall be deemed to have a source in, and may be taxed in, that other Contracting State.

Article 13. PUBLIC ENTERTAINERS AND ATHLETES

(1) Notwithstanding anything contained in article 11, remuneration or income derived by public entertainers (such as theatrical, motion picture, radio or television artists and musicians) and by athletes from their personal activities as such shall be deemed to have a source in, and may be taxed in, the Contracting State in which these activities are exercised. Provided that this paragraph shall not apply to a public entertainer or athlete who is a resident of a Contracting State and whose visit to the other Contracting State is supported wholly or substantially from the public funds of the Government of the Contracting State first-mentioned in this proviso.

(2) An enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State and to carry on business through that permanent establishment if it provides the services of a public entertainer or athlete referred to in paragraph (1) of this article in that other Contracting State. Provided that this paragraph shall not apply to an enterprise of a Contracting State which is, in relation to the services referred to in this paragraph, supported wholly or substantially from the public funds of the Government of that Contracting State.

(3) For the purposes of this article, the term "Government" shall, in the case of Malaysia, include the Government of a State of Malaysia.

Article 14. GOVERNMENTAL FUNCTIONS

(1) Remuneration (other than pensions) paid by the Government of Malaysia to any individual who is a citizen of Malaysia in respect of services rendered in the discharge of governmental functions in New Zealand shall be exempt from New Zealand tax.

(2) Remuneration (other than pensions) paid by the Government of New Zealand to an individual who is a citizen of New Zealand in respect of services rendered in the discharge of governmental functions in Malaysia shall be exempt from Malaysian tax.

(3) The provisions of this article shall not apply to any payments in respect of services rendered in connection with any business carried on by the Government of either of the Contracting States for the purposes of profit.

(4) For the purposes of this article, the term "Government" shall, in the case of Malaysia, include the Government of a State of Malaysia.

Article 15. PROFESSORS AND TEACHERS

(1) An individual who is a resident of a Contracting State immediately before making a visit to the other Contracting State, and who at the invitation of a university, college, school or other educational institution which is recognised by the competent authority in that other Contracting State, visits that other Contracting State for a period not exceeding two years solely for the purpose of teaching or research or both at such educational institution shall be exempt from tax in that other Contracting State on any remuneration for such teaching or research in respect of which he is subject to tax in the other Contracting State.

(2) This article shall not apply to income from research if such research is undertaken primarily for the private benefit of a specific person.

Article 16. STUDENTS AND TRAINEES

A student or trainee who is, or was immediately before visiting a Contracting State, a resident of the other Contracting State and is present in the first-mentioned Contracting State solely for the purpose of his education or training shall not be taxed in that first-mentioned Contracting State on payments (including salary or wages) to the extent to which he receives such payments for the purposes of his maintenance, education or training provided that such payments are made to him from outside that first-mentioned Contracting State.

Article 17. DUAL RESIDENTS RECEIVING INCOME

(1) This article shall apply to a person who is resident in Malaysia for the purposes of Malaysian tax and is also resident in New Zealand for the purposes of New Zealand tax.

(2) Where such a person is treated for the purposes of this Agreement solely as a resident of a Contracting State he shall be exempt in the other Contracting State from tax on income other than income which, under the law of that other Contracting State or under this Agreement, is derived, or is deemed to be derived, from sources in that other Contracting State.

Article 18. LIMITATION OF RELIEF

Where this Agreement provides (with or without conditions) that income or profits from sources in a Contracting State shall be exempt from tax, or taxed at a reduced rate, in that Contracting State and under the laws in force in the other Contracting State the said income or profits are subject to tax in that other Contracting State by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the exemption or reduction of tax to be allowed under this Agreement in that first-mentioned Contracting State shall apply only to so much of the income or profits as is remitted to or received in that other Contracting State:

Provided that where,

- (a) in accordance with the foregoing provisions of this article, an exemption or, as the case may be, a reduction of tax has not been allowed in the first instance in that first-mentioned Contracting State in respect of an amount of income or profits, and
- (b) that amount of income or profits has subsequently been remitted to or received in that other Contracting State and is thereby subject to tax in that other Contracting State,

the competent authorities of that first-mentioned Contracting State shall, subject to any laws thereof for the time being in force limiting the time for the making of a refund of

tax, allow the exemption or, as the case may be, the reduction of tax in respect of that amount of income or profits and make a refund to the person entitled thereto of any tax found as a consequence of that allowance, to have been paid in excess of the amount of tax properly payable in respect of that amount of income or profits to the extent that that excess has not been credited in payment of any tax due by that person and unpaid in respect of any other income or profits derived by that person.

Article 19. SOURCES OF INCOME

(1) For the purposes of this Agreement:

(a) Dividends paid by a company which is resident in Malaysia for the purposes of Malaysian tax to a New Zealand resident shall be treated as income from sources in Malaysia.

(b) Dividends paid by a company which is resident in New Zealand for the purposes of New Zealand tax to a Malaysian resident shall be treated as income from sources in New Zealand.

(c) Remuneration in respect of employment exercised aboard a ship or aircraft operated in international traffic by a resident of a Contracting State shall be treated as having a source in that Contracting State.

(d) Income or profits derived by a resident of a Contracting State from the operation of ships or aircraft, being income or profits from operations confined solely to places in the other Contracting State, shall be treated as having a source in that other Contracting State.

(e) Interest shall be treated as having a source in a Contracting State where the person paying the interest is the Government of that Contracting State or a resident of that Contracting State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment and the interest is borne by such permanent establishment, then such interest shall be treated as having a source in the Contracting State in which the permanent establishment is situated.

(f) Royalties (as defined in paragraph (3) of article 10) shall be treated as having a source in a Contracting State where the person paying such royalties is the Government of that Contracting State or a resident of that Contracting State. Where, however, the person paying such royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment and such royalties are borne by such permanent establishment, then such royalties shall be treated as having a source in the Contracting State in which the permanent establishment is situated.

(g) Natural resource royalties and income or profits referred to in subparagraph (k)(ii), subparagraph (k)(iii) or subparagraph (k)(iv) of paragraph (1) of article 2 shall be treated as derived from sources in a Contracting State if the land, mine, quarry, natural resource, standing timber or rent-producing property is situated in that Contracting State.

(2) Notwithstanding anything contained in Article 17 where income or profits of any of the kinds referred to in paragraph (1) of this article is derived by a resident of a Contracting State and is not, under the provisions of that paragraph, treated as having a source in the other Contracting State, such income or profits shall be exempt from tax in that other Contracting State.

Article 20. ELIMINATION OF DOUBLE TAXATION

(1) Subject to any provisions of the laws of Malaysia which may from time to time be in force and which relate to the allowance of a credit against Malaysian tax of tax paid in a country outside Malaysia (which shall not affect the general principles

hereof), New Zealand tax paid under the law of New Zealand and in accordance with this Agreement, whether directly or by deduction, in respect of income derived by a Malaysian resident from sources in New Zealand (excluding in the case of a dividend, tax paid in respect of profits out of which the dividend is paid) shall be allowed as a credit against Malaysian tax payable in respect of that income. However, where such income is a dividend paid by a company which is a New Zealand resident to a company which is a Malaysian resident and which owns at least 10 per centum of the paid-up share capital in the first-mentioned company, the credit shall take into account (in addition to any New Zealand tax on the dividends) the New Zealand tax paid by the first-mentioned company in respect of its profits.

(2) Subject to any provisions of the laws of New Zealand which may from time to time be in force and which relate to the allowance of a credit against New Zealand tax of tax paid in a country outside New Zealand (which shall not affect the general principles hereof), Malaysian tax paid under the law of Malaysia and in accordance with this Agreement, whether directly or by deduction, in respect of income derived by a New Zealand resident from sources in Malaysia (excluding in the case of a dividend, tax paid in respect of the profits out of which the dividend is paid) shall be allowed as a credit against New Zealand tax payable in respect of that income. However, where a company which is a New Zealand resident beneficially owns at least 10 per centum of the paid-up share capital in a company which is a Malaysian resident, any dividend derived by the first-mentioned company from the second-mentioned company (being dividends which, in accordance with the taxation law of New Zealand in existence at the date of signature of this Agreement, would be exempt from New Zealand tax) shall be exempt from New Zealand tax and shall not be taken into account for the purpose of determining the rate of New Zealand tax payable in respect of any other income derived by that first-mentioned company.

(3) For the purposes of paragraph (2) of this article the term "Malaysian tax paid" shall be deemed to include Malaysian tax which would, under the law of Malaysia and in accordance with this Agreement, have been payable on:

- (a) any income derived from sources in Malaysia had the income not been exempted from Malaysian tax in accordance with:
 - (i) sections 21, 22 and 26 of the Investment Incentives Act of 1968 of Malaysia so far as they were in force on, and have not been modified since, the date of signature of this Agreement, or have been modified only in minor respects so as not to affect their general character; or
 - (ii) any other provision which may subsequently be made granting an exemption which is agreed in an Exchange of Letters between the Contracting States, to be of a substantially similar character, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character;
- (b) interest to which paragraph (2) of article 9 applies had that interest not been exempted from Malaysian tax in accordance with that paragraph;
- (c) approved industrial royalties to which paragraph (2) of article 10 applies had those royalties not been exempted from Malaysian tax in accordance with that paragraph.

Article 21. MUTUAL AGREEMENT PROCEDURE

(1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Agreement, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.

(2) The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with this Agreement.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Agreement. They may also consult together for the elimination of double taxation in cases not provided for in this Agreement.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 22. EXCHANGE OF INFORMATION

(1) The competent authorities shall exchange such information (being information available under the respective taxation laws of the Contracting States) as is necessary for carrying out the provisions of this Agreement or for the prevention of fraud or for the administration of statutory provisions against avoidance of the taxes to which this Agreement applies by virtue of article 1.

(2) Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those (including a Court or reviewing authority) concerned with the assessment or collection of the taxes to which this Agreement applies by virtue of article 1, or the determination of appeals in relation thereto.

(3) No information shall be exchanged which would disclose any trade secret or trade process, or which would be contrary to public policy.

Article 23. TERRITORIAL EXTENSION

(1) This Agreement may be extended, either in its entirety or with modifications, to any Territory for whose international relations either Contracting State is responsible, and which imposes taxes substantially similar in character to those which are the subject of this Agreement, and any such extension shall take effect from such date and subject to such modifications and conditions (including conditions as to termination) as may be specified and agreed between the Contracting States in Letters to be exchanged for this purpose.

(2) The termination by Malaysia or New Zealand of this Agreement under article 25 shall, unless otherwise expressly agreed by both Contracting States, terminate the application of this Agreement to any Territory to which it has been extended under this article.

Article 24. ENTRY INTO FORCE

(1) This Agreement shall enter into force on the date when the last of all such things shall have been done in Malaysia and New Zealand respectively as are necessary to give the Agreement the force of law in Malaysia and New Zealand respectively, and shall thereupon have effect:

- (a) in Malaysia: in relation to Malaysian tax for the year of assessment beginning on 1 January 1975 and subsequent years of assessment;
- (b) in New Zealand: in relation to New Zealand tax in respect of income derived during the income year beginning on 1 April 1974 and subsequent income years.

(2) The Contracting States shall, as soon as possible, inform one another in writing when the last of all such things shall have been done as are necessary to give the Agreement the force of law in the respective Contracting States.

Article 25. TERMINATION

This Agreement shall continue in effect indefinitely, but either Contracting State may, on or before 30 June in any calendar year after the year 1977, give to the other Contracting State notice of termination and, in that event, this Agreement shall cease to be effective:

- (a) in Malaysia: for any year of assessment beginning on or after 1 January in the second calendar year immediately following that in which the notice is given;
- (b) in New Zealand: in respect of income derived during any income year beginning on or after 1 April in the calendar year immediately following that in which the notice is given.

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed this Agreement.

DONE at Kuala Lumpur in duplicate this 19th day of March one thousand nine hundred and seventy-six in the English language.

For the Government
of New Zealand:
Hon. B. E. TALBOYS

Deputy Prime Minister
Minister of Foreign Affairs
and Overseas Trade

For the Government
of Malaysia:

Y. M. TENGKU TAN SRI RAZALEIGH
BIN TENGKU HAMZAH, PSM, SPMK
Minister of Finance

PROTOCOL TO THE AGREEMENT BETWEEN THE GOVERNMENT OF NEW ZEALAND AND THE GOVERNMENT OF MALAYSIA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of New Zealand and the Government of Malaysia have agreed that the following provisions shall form an integral part of the Agreement:

1. *In connection with article 2*

The exclusion from the definition of “industrial or commercial profits” of income or profits referred to in sub-paragraphs (k)(ii) and (k)(iii) of paragraph (1) shall not be interpreted as preventing Malaysia from taking such income or profits into account for the purpose of calculating any deductions for capital expenditure on mines, plantation allowances and charges, or forestry allowances and charges, in accordance with the law of Malaysia relating to the taxes to which this Agreement applies by virtue of article 1.

2. *In connection with article 4*

The term “contract” as used in sub-paragraph (b) of paragraph (4) shall be construed as not including a contract for the use of or the right to use any industrial, commercial or scientific equipment as referred to in sub-paragraph (a)(ii) of paragraph (3) of article 10.

3. *In connection with article 20*

On or before 30 June in any calendar year after the year 1977 the Government of New Zealand may give to the Government of Malaysia written notice to the effect that the provisions of paragraph (3) of article 20 shall cease to have force or effect and, in that event, the provisions of those paragraphs shall cease to have any force or effect in New Zealand in respect of income derived during any income year beginning on or after

1 April in the calendar year immediately following that in which the notice is given. However, the Government of New Zealand agrees to consult with the Government of Malaysia before giving any such notice.

This Protocol shall enter into force on the same date as the Agreement.

DONE at Kuala Lumpur in duplicate this 19th day of March one thousand nine hundred and seventy-six in the English language.

For the Government
of New Zealand:

Hon. B. E. TALBOYS

Deputy Prime Minister
Minister of Foreign Affairs
and Overseas Trade

For the Government
of Malaysia:

Y.M. TENGKU TAN SRI RAZALEIGH
BIN TENGKU HAMZAH, PSM, SPMK
Minister of Finance